

**Innovation and Knowledge Spillovers:
Evidence from European Data.
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This paper analyses the relative effects of national, international, sectoral and inter-sectoral spillovers on innovative activity in six large, industrialized countries (France, Germany, Italy, Japan, UK and US) over the period 1981-1995. This is done controlling for firm level effects and accounting for spillovers from universities and public institutions. We use patent applications at the European Patent Office to measure innovation and their citations to trace knowledge flows within and across 135 narrowly defined technological classes. We find that international spillovers are an important determinant of innovation and mostly occur within narrowly defined technological classes. Firm level effects are particularly noteworthy at the national level while we do not find evidence of spillovers from public institutions. Finally some important sectoral differences emerge.